



NGL Insurance Group

March 10, 2004

Ms. Susan Ezalarab
Director, Bureau of Market Regulation
Office of the Commissioner of Insurance
125 South Webster
Madison, WI 53707

Re: Report of Examination dated June 16-30, 2003
National Guardian Life Insurance Company (NGL)

Dear Ms. Ezalarab:

Thank you for the opportunity to provide your office with our response to the above-mentioned final Market Conduct Examination report received by our office on February 24, 2004. We would ask that you please include this response on the OCI website as a separate document to the final report.

Below please find your recommendations recited, followed by NGL's response:

Sales and Advertising

1. ***It is recommended that the company use the name of the insurance company in all advertisements to clearly identify the insurer in order to comply with s. Ins 2.16(8)(a), Wis. Adm. Code.***

NGL sometimes refers to its various insurance companies collectively as the NGL Insurance Group. This is an issue that is very important to us, given our organizational structure, and the fact that different companies within the group offer various insurance products. NGL contends that the advertisements in question, which were used in support of local community organizations and do not discuss specific product information, do nothing to mislead or deceive the consumer.

However, NGL recognizes the need for consistency and will ensure compliance with this requirement by including the name of National Guardian Life Insurance Company or other appropriate insurer on all advertising and marketing material, including those pieces referencing the NGL Insurance Group.

2. ***It is recommended that the company increase the size of the print in form USB 05/03 and all similar advertisements in order to clearly identify the insurer as required by s. Ins 2.16(8)(a), Wis. Adm. Code.***

NGL continues to ensure that the identity of the insurer is clearly identifiable within each advertising piece and has taken appropriate measures to ensure that the print on all pieces is clear and readable. The piece cited, USB 05/03, is no longer in use. NGL has reviewed the piece to determine the appropriate disclosure size for similar pieces and has made adjustments where necessary consistent with OCI input. We note that the size of the disclosure cited is consistent with many industry promotional pieces currently used in Wisconsin.

Producer Licensing

3. ***It is recommended that the company follow its established procedures for not accepting any business from any producer until the producer has been properly listed with the company as required by s. Ins 6.57(5), Wis. Adm. Code.***

Following its last market conduct examination, NGL established procedures to identify and block the acceptance of business from agents who are not properly listed by the OCI. Nevertheless, despite our good faith effort to avoid the acceptance of such business, we acknowledge that three producers were mistakenly listed on our system as being active, which then allowed business to be accepted.

NGL is of the firm belief that improved procedures, such as the use of the Bisys on-line appointment system and implementation of a procedure to “pend” a producer in the system until his/her appointment is accepted, have prevented similar oversights and will continue to do so. NGL remains committed to the development of additional checks to identify and correct any weaknesses in its practices to avoid future oversights.

NGL is currently reviewing a proposal for additional compliance management services available through Bisys, which would aid NGL in its monitoring of agent licensing issues.

4. ***It is recommended that the company develop and implement procedures to annually reconcile the agent billing statement from OCI to ensure that the company's agent database is accurate and corresponds with OCI agent listing information and to ensure that the company is in compliance with s. Ins 6.57(1), Wis. Adm. Code.***

NGL has established procedures to annually reconcile the agent billing statement from OCI to ensure that NGL's agent database is accurate and corresponds with OCI agent listing information to comply with s. Ins 6.57(1), Wis. Adm. Code.

Underwriting

5. ***It is recommended that the company follow its established procedures of creating an amendment to obtain an answer to a replacement question that is left unanswered on an application to ensure compliance with s. Ins 2.07(5)(a)1, Wis. Adm. Code.***

OCI found 4 files of the 200 it reviewed that failed to comply with NGL's established procedures. NGL agrees with the above stated recommendation and agrees that it shall ensure compliance with its current procedures on replacements.

6. ***It is recommended that the company follow its established procedures of sending written notification of replacement to the home office of the replaced insurer within five days of receipt of the application and prior to commencing any underwriting to ensure compliance with s. Ins. 2.07(5)(a)4b, Wis. Adm. Code.***

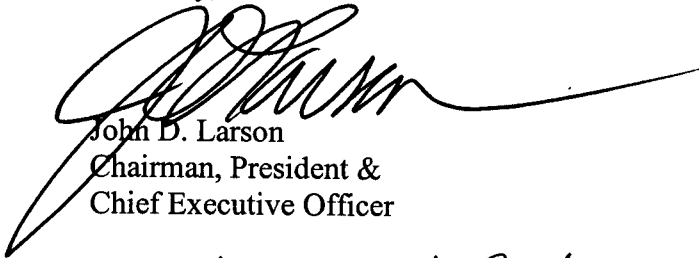
OCI found two files where NGL's established procedures on this issue were not followed. NGL agrees with the above stated recommendation and agrees that it shall ensure compliance with its current procedures on replacements.

Policyholder Services and Complaints


Page 15 of the report refers to NGL's failure to timely respond to one OCI complaint. We are puzzled. The OCI examiners did not bring this to NGL's attention during the examination, which would have allowed NGL the opportunity to respond. Both the OCI and NGL's records agree that there were only four OCI complaint files from the examination period. NGL has reviewed them all and found that in all cases NGL responded to both the complainant and the OCI within the appropriate timeframes. We therefore have no knowledge of an untimely response.

In closing, NGL strives to comply with all applicable regulations or guidelines with regard to its business operations and continually reviews and improves its procedures based on changes in technology, amendments in regulatory guidelines, and real-world experience. We remain strongly committed to compliance.

Sincerely,



John D. Larson
Chairman, President &
Chief Executive Officer



Laura S. Peck
Assistant Vice President, General Counsel &
Assistant Secretary